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C O N F I D E N T I A L SECTION 01 OF 03 CONAKRY 000201

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SUBJECT: GUINEA'S AUDIT COMMISSION - A LOOK BEHIND THE CURTAIN

Classified By: A/DCM SHANNON CAZEAU FOR REASON 1.4 B AND D

¶1. (C) SUMMARY. A frank discussion with a senior member of Guinea's Audit Commission provides a clearer picture of how at least one organ of CNDD President Dadis' fiscal control and funds recovery program is functioning. The Audit Commission has reportedly recuperated some \$1.25 million since it started its investigations in January, of which 10% is kept by the Commission to fund salaries and operational costs. Reporting directly to Dadis and independent from all other government institutions, the Audit Commission is apparently involved only in performing the actual audits. Legal matters are handled by the Ministry of Justice. Although the Audit official clearly wanted to demonstrate how "transparent" the system is, inconsistencies and questions persist. END SUMMARY.

¶2. (C) On March 26, Pol/Econ Chief met with Amadou Mouctar Balde, the 1st Vice President of the Audit Commission created by CNDD President Moussa Dadis Camara on January 13. Balde's card reads "Office of the President of the Republic, Strategy Bureau, and Surveillance of the Strategic Sectors of the Economy." Balde has an impressive resume with several years of experience in financial audits, including three years working for the Dakar office of Ernst and Young as an internal auditor. Between 2004 and 2009, he was working as an independent consultant and at one point, was hired by the GoG in 2007 to conduct the highly publicized audit on the Ministry of Finance.

PERFECT TRANSPARENCY

¶3. (SBU) An engaging interlocutor, Balde said he was "perfectly willing" to explain the Audit Commission's roles and responsibilities because "it is important for the international community to understand what we are doing." He held up to this statement throughout the discussion, carefully explaining how the audits are being conducted.

¶4. (SBU) According to Balde, the CNDD has authorized three separate government organs to handle the "cleaning up" of the government. The first of these organs is the Ministry of Economic Control, which existed prior to the coup. However, its role has changed in that Economic Control is now in charge of establishing internal controls over government expenditures. Balde explained that the Ministry pre-approves government expenditures and then reviews expenditures again once the funds have been dispersed. Pol/Econ Chief noted that the pre-approval process used to be handled by the Ministry of Finance in order to institutionalize some degree of oversight. Balde admitted that the Minister of Finance has been debating this point with the Minister of Economic Control ever since the decision was made, but that for the time being, the function remains with Control.

¶ 15. (SBU) The second audit organ is the Ministry of Audits, which Balde described as being responsible for external controls, or establishing control mechanisms over government revenues. He mentioned that the Ministry of Audits has been working with private companies such as the Ashanti Gold Mining Company and the Guinean Electricity Company on these issues, although he did not clarify exactly what the Ministry does or how it functions.

¶ 16. (SBU) Balde claimed that the Audit Commission, of which he is the 1st Vice President, is responsible for general oversight. "We supervise the two ministries, provide direction, and establish the terms of reference." In addition, Balde said that the Audit Commission is the only institution that is currently conducting audits, which it does by hiring contractors for specific audit projects. He also noted that the Commission reports directly to Dadis.

CONDUCTING THE AUDITS

¶ 17. (C) Describing the Audit Commission's operations, Balde explained that the institution generally contracts with inspectors already employed by various ministries, or hires independent contractors. "We don't actually do the audits ourselves because we need to maintain our independence," he said. As an example, he explained how the Commission had divided the Ministry of Finance into different departments with one audit team responsible for each department. "We had to really divide up Finance because more than 60 per cent of Guinea's national debt really only exists on the books," he

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claimed.

¶ 18. (C) Besides these ministerial audits, Balde said that the Commission is investigating specific cases, such as issues in the mining sector. "Between 1990 and 2006, Guinea generated more than \$10 billion in mining revenues, but the government only collected \$300 million...so we have to figure out how that money was managed," he commented. He emphasized that the Audit Commission is focused not only on financial aspects, but also administrative procedures. "This is an administrative audit as much as it is a financial one." Balde added that the Commission is looking to investigate the telecommunications sector as well, and in particular, Sotelgui.

KEY COMMISSION MEMBERS

¶ 19. (C) As for the members of the Commission, Balde said that the Minister of Defense and Dadis' 2nd Vice President, Sekouba Konate, is the Commission's president, but does not really supervise day to day activities. As 1st Vice President, Balde described himself as responsible for overseeing the audits. The 2nd Vice President, Maitre Jean-Alfred Mathos, is reportedly responsible for debt collection while the 3rd Vice President, Abib Hahnn, is responsible for long-term anti-corruption planning for strategic sectors (such as mining and telecommunications). In addition, the Commission has three administrative support staff and is in the process of developing three sub-commissions of ten members each that will be assigned to each of the three portfolios managed by the three vice presidents. (COMMENT. Some Embassy sources have suggested that the 2nd and 3rd vice presidents are just as corrupt as the people they are investigating. END COMMENT).

HOW MUCH MONEY?

¶ 10. (C) When asked about the 10% commission on recuperated

funds for members of the Audit Commission, Balde quickly confirmed the arrangement and then proceeded to explain why such a system is necessary. He noted that none of the Commission members are actually paid a salary. In addition, he explained that it is too simplistic to say that the Commission pockets 10 per cent of collections. Before the Commission members can take their cut, they have to use the money to pay operating costs, including payments to the various sub-contractors.

¶11. (C) Balde claimed that the Commission had collected some 60 billion GnF (\$1.25 million) since it started operating on January 13. Apparently, the Ministry of Justice keeps some kind of a list of outstanding debts owed to the GOG. According to Balde, the Commission started with this list and began collecting from various unnamed individuals. In addition, the Commission collected some funds from the telecommunications and mining sectors. Balde declined to say which companies had paid up. He explained that the recovered funds are deposited directly into a special account at the Central Bank and that only Minister of Defense Konate and CNDD President Dadis are authorized to withdraw money from the account.

AUDITS ONLY, NOT ARRESTS

¶12. (C) When Pol/Econ Chief asked whether the various arrests and visits by Red Berets to private business establishments and residences are connected to the Audit Commission, Balde quickly clarified that these activities are completely separate. "Our job is simply to identify what money is unaccounted for...once we make a determination; we turn everything over to the Minister of Justice." Balde added that this is one of the reasons a representative from Justice sits on the Commission. "They handle the actual debt recovery, and where necessary, arrests and prosecutions." On the question of Red Berets, Balde claimed that such visits were orchestrated by the CNDD during the first few weeks after the coup, but that once the Audit Commission was established, the CNDD's "recovery force" stood down.

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MINISTRY OF DEFENSE ON THE DOCKET...BUT NOT NOW

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¶13. (C) Pol/Econ Chief asked whether the Audit Commission plans to audit the Ministry of Defense. Balde claimed that Minister of Defense Konate has committed to auditing Defense, but that "we have not figured out yet how to go about it." Balde added that the Audit Commission is first addressing those cases that can generate immediate results. "When we finally do get to Defense, it is going to be very complicated because it will be hard to find any documentation," he said.

COMMENT

¶14. (C) Throughout the discussion, Balde was clearly committed to the cause. At one point, he emphasized that he believes in the Commission's objectives, and that he had made a personal choice to be a part of it. He also came across as highly qualified, articulate, and sincere. Balde probably accurately described the Audit Commission's recent activities as he understands them, but conflicting information from other sources suggests that he may not be privy to exactly what the Ministries of Audit and Economic Control are actually doing. Visits from Red Berets continue despite his assertions to the contrary. Embassy has also heard much higher figures of recuperated funds, which indicates that more than one organ may be performing "debt collection." Although Balde seemed to want convince the USG of the

"transparency" of the audits, the discussion raises more questions than answers. END COMMENT.

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